

November 23, 2020

Chris McMillan  
Secretary to the Comptroller of Water Rights  
PO Box 9340 STN PROV GOVT  
Victoria, BC V8W 9M1

**Subject: Corix Panorama Intervener Responses and Final Submissions**

Dear Chris:

Please find attached the Final Submission from the Trappers Way Residential Group regarding the Corix Panorama Water Rate Application for 2020 Rates.

With regard to the above subject, the Trappers Way Residential Group (TWRG) would like to thank you and Corix for the effort in providing detailed responses to the intervener requests, to date. The TWRG appreciates Corix for providing us year round potable water that meets BC Interior Health requirements for drinking water. We do respect the right of Corix to earn a reasonable return on their investment in the Groundwater Source Development Program (GSDP). We also respect the support that Corix provides their employees in providing them a good wage. However, it is disappointing that given the intervener requests, there has been very little change in Corix's proposed rate increases and their approach to derive them in their Final Submission.

Upon review of the Corix responses to the intervener requests and their Final Submission, the Trappers Way Residential Group has further requests for information per our Final Submission. In addition, the TWRG continues to have the following comments and concerns:

1. The Corix rate proposal and projections now have Panorama water rates increasing by 256% by 2024 ( $1.71 \times 1.25 \times 1.30 \times 1.28$ ) which has a huge impact on the current ratepayer, for an essential service that is already our biggest expense among our utilities, when including the related sewer rates.
2. It seems that one way of smoothing out the impact of the rate increases would be to extend the recovery time of the Revenue Deficiency Deferral Account (RDDA). This has been used by other utilities, including those owned by Corix, to mitigate large annual increases in rates. Furthermore, any Corix cost reductions or revenue increases beyond those projected will be going to reducing the recovery time for the RDDA rather than to reducing rates.
3. Corporate and Regional services allocations/costs to Panorama will represent 30% of the Operating and Maintenance costs and 13% of required revenues by 2022, and increase by 43% from 2020. These seem excessive given that the cost of these allocations is being driven by the cost of the GSDP, presumably a more reliable asset, and the need for increased revenues.
4. The methodology used to arrive at Corporate and Regional services allocations does not incentivize cost control for large capital projects. As the cost of the project, e.g. GSDP, increases, the asset value of the Gross Property, Plant and Equipment increases. Furthermore, the increase in the capital costs of the project also results in the need for an increase in revenue. With the current methodology used, increases in project cost and the need for more revenue, result in an increase for 67% of the contribution to the Corporate and Regional services allocation per the Massachusetts Formula that is applied.

5. The equity to debt ratio being used by Corix has a significant contribution to the rate increases because of the higher Return on Equity (ROE) (9.50%) rates relative to the deemed interest rate for debt (3.64%), and the large asset value of the utility equity relative to the utility debt. Corix uses a capital structure of 42.5% equity and 57.5% debt, whereas EPCOR Water West uses a capital structure of 40% equity and 60% debt. Although EPCOR has greater equity and a higher ROE (9.75%) than being proposed by Corix (9.50%), EPCOR's water rates are considerably lower (Reference 18 in Corix Response to Comptroller IR1).
6. Other neighbouring water utilities in the East Kootenay have a fixed charge rate that range between 68% and 89% of the charges for water, with metered charges representing the rest of the bill. Corix has proposed that 48% of the rate be assigned to fixed charges and 52% to metered charges. With the proposed Corix Panorama rate increases, 63% of the 2024 annual revenue from residential customers will be fixed charges and 40% of the 2024 annual revenue from commercial customers will be fixed charges. This appears to indicate that residential customers are subsidizing the commercial customers for the fixed cost of the GSDP. This seems unreasonable given that commercial customers can recover their increased costs of water from their clients.

There appear to be several avenues for Corix to mitigate the rate of increases for Panorama water services. We ask that the Water Comptroller please take these into consideration, when approving new rates for Corix Panorama water services.

Thank you.

Yours truly,



G. C. Gillies  
Trappers Way Residential Group

cc: Regulatory Affairs Corix Canada  
R. Zink, Corix  
A. Cradduck, Corix  
D. Chong, Corix  
E. Oliphant, Government of BC  
B. Hamstead, Panorama Subdivision Owners Association  
P. van Dijk, Panorama Resort

**REQUESTOR NAME:** Trappers Way Residential Group  
**INFORMATION REQUEST NO:** Final Submission  
**TO:** Corix Multi-Utility Services Inc. (CMUS), Panorama Water  
**DATE:** November 23, 2020  
**REFERENCE NO:** 7677  
**APPLICATION NAME:** 2020-2022 Water Revenue Requirements Application

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**1.0 Reference: Revised Application (2020-10-30) and Corix Response to Comptroller IR No. 1, Revision C Pg. 2 of cover letter**

**Explanation:**

“The Comptroller had previously issued an interim Order No. 2570 approving interim rates effective March 1, 2020. Considering this is a late proposal in the proceeding, an effective date of January 1, 2021 for the change in CIAC would provide adequate notice to future customers wishing to connect to Panorama Water. Presently, Panorama Water is not aware of any current application to connect where the CIAC in Schedule B would be applicable.”

**Request:**

1.1 While the Trappers Way Residential Group supports the proposed increase in the CIAC , please explain at what point these charges are applied? For example, do they apply when new development occurs at Panorama, e.g. expansion of the Trappers Ridge development or building of new townhomes at the bottom of the Silver Platter?

1.2 If the new development identified on pg. 38 of the subject response were to occur within the next five years, please explain the impact on future water rates.

**2.0 Reference: Corix Response to Comptroller IR No. 1, response 2.1, pg. 2**

**Explanation:**

“Following unsuccessful attempts to rectify the sediment issue, and on the advice of technical advisors, Well #1 (designated as Well 15-01) has been abandoned and Well 20-03, has been developed as a replacement. It has not been fully commissioned. Work is in progress to place Well 20-03 into service.”

**Request:**

2.1 Please explain why the Well #1 sediment issue was not identified during initial test drilling before going to the considerable expense of developing the well, unlike the test drilling for Well 20-03 which did identify such an issue in the several test drills for the new well.

**3.0 Reference: Corix Response to Comptroller IR No. 1, response 3.1, pg. 3**

**Explanation:**

"A recent CBC News article supports this position by noting that the economy may be headed to a K-shaped economic recovery. In a K-shaped recovery, the hardship is not equally shared. The article states: "The K pattern may be visible in Friday's unemployment data. Effectively the upward pointing bar of the K includes that group of people with stable incomes who are able to keep doing their jobs using their computers from home. Those people, usually in management, administrative or technical kinds of jobs, have traditionally been better paid. Teachers and medical professionals are in that group." Although not able to perform their jobs exclusively from home, certified Utility Operators certainly fall within the group that would be classified in the upper bar of the K shaped recovery." From the BC Teachers Federation website, the salary for a category 5 teacher (mid-category) in the Rocky Mountain School District 6 (Panorama) ranges between \$59,506 and \$73,354 per year for 2020 with an escalator of 2% for each of 2021 and 2022. From the BC Nursing Union website a level 3 fifth year RN salary is \$79,944 per year for 2020 with a 2% escalator for 2021. Both of these professions are in high demand.

**Request:**

3.1 While Corix support for paying their employees well is appreciated, and with no disrespect to the operators, please explain why their skill set equates to or exceeds that of a teacher or health professional given the differences in salaries and extent of post-secondary education and experience required to become qualified for the position.

**4.0 Reference: Corix Response to Comptroller IR No. 1, response 6.1, pg. 7**

**Explanation:**

"Toby Creek Electrical billed the above invoice amounts. Corix has been seeking an explanation of the bills. This week, Toby Creek Electrical has confirmed that the electrical costs for the freshwater pumphouse from February 20, 2020 to September 2020 should have been approximately \$700 total for the whole period. Toby Creek will be reviewing its meter reads in detail and issue revised bills along with a bill credit."

**Request:**

4.1 Given that Panorama ratepayers are paying approximately \$40,000 for administration services per Table 1A of the Evidentiary update, please explain why it took six months to identify electricity overcharges of over \$8000.00 from Toby Creek Electrical and only upon intervention from the Comptroller.

4.2 Given that the reservoir for which Toby Creek Electrical provided service is not being used any more, please explain what form the "bill credit" will take.

**5.0 Reference: Corix Response to Comptroller IR No. 1, response 8.1, pg. 9**

**Explanation:**

"Panorama Water with its GSDP project has significant capital infrastructure assets with an average life of 51 years, where portions of it will last up to 75 years. This capital investment is re-

flected in the rate base of the utility. The asset stewardship and safeguarding function along with associated revenues is the primary driver on why Panorama Water faces an increase in corporate cost allocations.”

**Request:**

5.1 Given that the asset and revenues are the primary driver for increase in corporate cost allocations, please explain what incentive there is for Corix to control costs for the GSDP, given that higher costs for the project require higher revenue, both of which increase corporate cost allocations.

**6.0 Reference: Corix Response to Comptroller IR No. 1, response 17.4, pg. 25**

**Explanation:**

“Corix Dockside Green Energy Utility

The BCUC by Order G-166-18 established a Revenue Deficiency Deferral Account (RDDA) for Dockside Green.<sup>11</sup> The RDDA is to be used to mitigate customer rate increases until future build-out in the community provides sufficient revenue to cover the utility’s costs of operations, including any allowed return. Subsequently, BCUC Order G-248-19 reaffirmed the continuation of the RDDA and a five year levelized rate structure.”

“Corix Neighbourhood Utility Service at UniverCity Burnaby

UniverCity Burnaby in its application sought approval of a revenue deficiency deferral account which is used to record those portions of revenue requirements that are not recovered in the early stages of development, with the goal of complete recovery of the funds over the 20-year period. The BCUC by Order C-7-11 and Decision dated May 6, 2011 approved UniverCity’s establishment of a revenue deferral account in order to capture the revenue requirement variances under the levelized rate approach.”

“Corix UBC Neighbourhood District Energy System (NDES)

For UBC NDES, the BCUC by Order G-84-15 approved a 20-year levelized rate structure through which a portion of the annual revenue requirements is deferred in the early stages of development and the accounting treatment of the revenue deficiency deferral account.”

While Table 7 summarizes a comparison of RDDAs for a number of utilities including Panorama, it conveniently omits the durations over which they are trued up.

**Request:**

6.1 Given that the Corix proposed rates will result in the RDDA being recovered in less than 5 years per Scenario E and these rates will increase by 255% over this time, please explain why it is unreasonable that Corix use a longer deferral period to levelize Panorama water rates, which they have done for some of their other utilities per above especially when projected rates beyond 2025 are expected to decrease per updated Scenario E, page 33.

**7.0 Reference: Corix Response to Comptroller IR No. 1, response 23.1, pg. 36**

**Explanation:**

“Spur Valley shares many similarities with Panorama Water. Similarities in the system include groundwater source, pumped/gravity supply, chlorine disinfection, and a reservoir. Both up-grades were implemented to remove boil water notices. Notable differences are that Panorama Water has UV disinfection while Spur Valley does not and Panorama Water at 328 metered customers in 2019 has more customers than Spur Valley at 73.”

**Request:**

7.1 Given that the recently installed Spur Valley system is similar and their customer base is 22% of Panorama’s, please explain why Spur Valley annual water customer cost of \$1084 is approximately the same as the proposed Panorama 2021 water customer cost of \$1000 (per Table 29 of the Evidentiary Update), with substantial increases for Panorama customers to come in the years 2022 and 2023.

**8.0 Reference: Corix Response to Trappers Way IR No.1, response 1.1, pg. 2**

**Explanation:**

“Beyond 2022 the Corporate and Regional Allocations should stabilize as Panorama Water will have a relatively stable Gross Property Plant & Equipment and Gross Revenue. The three composite factors underlying the Corporate Allocation Model (Gross PP&E, Gross Revenue and Headcount) are the primary drivers of the allocated costs.”

**Request:**

8.1 Please identify whether or not these allocation costs will decrease with the depreciation in value of the Gross Property Plant & Equipment.

**9.0 Reference: Corix Response to Trappers Way IR No.1, response 2.1, pg. 3**

**Explanation:**

“For clarity it should be noted that if the Revenue Deficiency Deferral Account (RDDA) is accepted as proposed in the Amended Application, any savings from lower chlorine costs relative to budget will flow through the RDDA for the benefit of ratepayers. Corix will not realize any financial benefit from savings to budget on any expense item.”

**Request:**

9.1 Please explain whether this flow through the RDDA of savings to budget applies to all Operating and Maintenance expenses, including Corporate and Regional allocations.

**10.0 Reference: Corix Response to Trappers Way IR No.1, response 3.1, pg. 3**

**Explanation:**

“The Taynton Creek surface supply is scheduled for decommissioning in October 2020. Since the GSDP system was commissioned February 11, 2020, the water source for Panorama has

been solely sourced from the wells located northeast of Panorama Staff Accommodations. Corix anticipates increased electrical consumption from the GSDP project. This is because the elevation difference from the well source to the reservoir is greater than the Taynton Creek source to the reservoir, resulting in the addition of pumping capacity, heat for Well and Reservoir control kiosks, heat and light for the new Water Treatment plant, and the Operation of UV Reactors in the water treatment process.” For some reason, I understood that the Taynton Creek Reservoir would continue to supply water to Panorama supplemented by the GSDP to maintain potability.

**Request:**

10.1 Please provide information as to whether a combination of Taynton Creek water and GSDP water sources to supply Panorama was considered and if not, why not? Would this have resulted in a lower cost of construction, operation and supply from the GSDP?

**11.0 Reference: Corix Response to Trappers Way IR No.1, response 3.5, pg. 5**

**Explanation:**

“All leaks were located on the service lines between the watermain and the customer’s curb stop (isolation valve located at the property line). In the case of all Greywolf Drive leaks, the 25mm copper service line was deficiently backfilled by the developer’s contractor with 19mm minus aggregate (crush) mixed with cobble. The fractured aggregate and cobble damaged the copper service line resulting in punctures.”

**Request:**

11.1 Please explain whether the costs of the repairs and additional costs of producing 68% of the water between May and September, 2020 can be recovered from the original developer/ constructor of the system and be applied to trueing up the RDDA and if not, why not? Otherwise the ratepayer is required to pay these costs, through no fault of their own.

**12.0 Reference: Corix Response to Trappers Way IR No.1, response 4.1, pg. 7**

**Explanation:**

“Corix notes that the \$100,494 for 2020 is the average for labour time from six available operators, one administrator and one manager. Most of the 1.1 FTE would be for the operators.”

**Request:**

12.1 Given that the Taynton Creek supply has been abandoned and the GSDP can be remotely monitored and operated by a new modern control/PLC system with supervisory oversight in Panorama and Vancouver using a SCADA system, please explain why are 1.1 FTEs still required to operate the water system? Should this new technology not have improved efficiency and reduced the required human resource for operation, especially when Regional services, who provide IT support, have increased costs?

**13.0 Reference: Corix Response to Trappers Way IR No.1, response 15.1, pg. 23**

**Explanation:** “Also, Shannon Estates states: “In Commission Order G-190-17, the Commission approved the establishment of a deferral account to record any annual revenue deficiencies or surpluses resulting from the difference between the annual revenue at approved rates and the annual cost of service (including an allowed ROE of 9.5%). The deferral account is approved to accrue carrying charges based on SEUL’s weighted average cost of capital (“WACC”).”

“Panorama Water and Shannon Estates share many similarities such as the total value of rate base, deferral account treatment, captive customers with no or limited utility alternatives, and the same requested ROE and capital structure.”

**Request:**

13.1 If known, please identify the duration of the recovery of Shannon Estates deferral account, or over how many years their rate is being levelized.

**14.0 Reference: Corix Response to Trappers Way IR No.1, response 19.1, pg. 31**

**Explanation:**

“6. The advantage of recovery of the RDDA by 2030 is that the rate increases would be more gradual and after full recovery of the RDDA balance the corresponding rate decreases would be more gradual.”

**Request:**

14.1 Other than RDDA recovery in the timeframe proposed being advantageous for Corix, please explain why Corix cannot consider a more gradual increase in rates, which would be preferable for the customer. From Reference 7, it appears that Corix has done this for some of their other customers.

**15.0 Reference: Corix Response to Trappers Way IR No.1, response 21.1, pg. 34**

**Explanation:**

The table in the response indicates that Residential consumption was greater than forecast by 10% through August for 2020.

**Request:**

15.1 When including Commercial consumption with the increase in Residential consumption, please explain what impact actual 2020 consumption will have on forecast revenues and to what extent if this trend continues to 2021.



**16.0 Reference: Corix Response to Trappers Way IR No.1, response 22.1, pg. 35**

**Explanation:**

“Changing the fixed recovery charge from 48% to 85%, will have a material financial disincentive to conserve water. As the fixed recovery charge in customer bills approaches 100% that is equivalent to not metering customers.

Corix submits for the test period the balance between fixed and variable recovery in rates provides a reasonable balance between conservation and the recognition that costs are primarily fixed though there are some short run variable costs that can be saved such as chlorine and electricity when consumption decreases. However, Corix notes that a strong conservation signal will have long term benefits to ratepayers by reducing future system capacity expansion costs that may arise from higher average unit consumption increases.”

**Request:**

17.1 Please explain what the rate changes would be if the fixed recovery charge were 60% and variable water rate charges were reduced to 40% of the recovery for each of Residential and Commercial Customers.

17.2 Given that the 2017 average BC water use is 291 L/day/person (Corix Response 24.1 to Comptroller IR#1) which translates to 212 cubic metres/year for a two person household and based on actual 2020 Panorama residential water use annualized of 114 cubic metres/year per residence (calculated from Response 21.1 to Trappers Way and the Corix average of 7 bed units per residence), please explain why Corix thinks having high variable metered rates will lead to significant conservation. Furthermore, when applied to commercial customers, guests are unlikely to pay much attention to how much water they use, when on a holiday.

**17.0 Reference: Corix Response to Trappers Way IR No.1, response 23.1, pg. 36**

**Explanation:**

“The year 2024 is a good example to use since there is no CDA Rider impact. For 2024 the residential increase is 9% compared to 7% for commercial customers even though the same general increase of 7.9% is uniformly applied to the Fixed and Metered Charges for Residential and Commercial customers. In 2024 the residential Fixed Charge is \$1,023 on a total bill of \$1,625; 63% of the total annual bill is fixed and 37% is variable. Also, in 2024 the residential Metered Charge increases to \$603 from \$558; an 8.1% increase. In 2024 the commercial Fixed Charge is \$10,362 on a total bill of \$24,968; 42% of the total annual bill is fixed and 58% is variable. The Metered Charge increases to \$14,605 from \$13,667; an increase of 6.9%.”

**Request:**

17.1 Given that in 2024, 63% of the annual revenue from Residential Customers will be fixed charges and only 42% of the annual revenue from Commercial Customers will be fixed charges, please explain how the principle cited in Section 9.1.3 of the Evidentiary Update (The existing rate structure recovers approximately 48% of the annual revenues from the fixed basic charge and the remainder 52% from the variable metered rates.) is being followed and why it does not indicate that Residential Customers are subsidizing the Commercial Customers (who have the capability to recover these costs from guests) for the fixed costs resulting from the GSDP.

17.2 Please explain how the higher variable metered costs has incentivized conservation by Commercial customers when their consumption has averaged 29 cubic metres/bed unit/year and Residential Customers have averaged 12 cubic metres/bed unit/year per Table 21 of the Evidentiary Update.

**18.0 Reference: Corix Response to PSOA IR No. 1, response 4.3, pg. 9**

**Explanation:**

Table 27 demonstrates that increasing the number of bed units to 10 from the average of 7.0 per single family residence results in a significant increase in residential billing which would generate a significant increase in revenues for Corix.

**Request:**

18.1 Please explain the impact on rates to deliver the Target Revenue requirements of Table 22 in the Evidentiary Update, if the 10 bed unit standard were applied to all single family residences.

18.2 Please explain whether Corix increases the number of bed units for a single family residence that also has a secondary live-in suite associated with it and if not, why not.

**19.0 Reference: Corix Response to PSOA IR No. 1, confidential response 2.1, pg. 1 to 4**

**Explanation:**

Considerable costs for the GSDP are attributed to traffic control, cathodic protection and especially the UV system.

**Request:**

19.1 Please explain what was required regarding traffic control for construction of the GSDP and why it needed to be apparently so extensive, given the cost. Other than a few orange cones, very little traffic control was observed on Trappers Way. Furthermore, well development was well away from Toby Creek Road.

19.2 Given that the watermain for the GSDP are non-corrosive PVC and HDPE, please explain why there is a need for cathodic protection and why it seems so extensive, given the cost.

19.3 Given that the main reason for boiling water advisories was turbidity in Taynton Creek water during spring freshet, please explain the need for a very expensive UV system in addition to an upgraded chlorination system, especially given the vulnerability of the UV system to sediment and with the new well indicating potential sediment issues.

**20.0 Reference: Corix Final Submission, item 1e, pg. 2**

**Explanation:**

Approval sought for “Long term debt financing costs estimated at 3.64% per annum”. Per Corix response 16.1 to the Water Comptroller information request, Corix has calculated a deemed interest rate of 3.35% is more appropriate to date in 2020. In the Clarification Section of the covering letter to the Water Comptroller information request response Corix states: “For clarity, Corix proposes to calculate the actual annual deemed interest rate by averaging the actual monthly deemed interest rates. The actual annual deemed interest rate will be calculated based on the actual rates for the 10 Year Benchmark Canada Yield and the actual 10 Year Corporate Credit Spreads for each month. The resulting average deemed interest rate for the year would then be used to true up the RDDA.” To date for 2020, this rate is 3.35%. Using the difference between the interest rates to true up the RDDA would reduce the time to recover the RDDA.

**Request:**

20.1 Please explain why the reduced cost of debt cannot be applied to a reduction in the proposed rate increases rather than trueing up the RDDA, for which the Comptroller has requested that the recovery be smoothed over several years.

**21.0 Reference: Corix Final Submission, items 5&6, pg. 3**

**Explanation:**

“5) Corix requests that the interim rate increase effective August 1, 2020 be subsequently adjusted if and as required based on the Comptrollers’ final decision when rendered on this application, with any refund or additional charges to be accounted for with interest, retroactive to August 1, 2020.

6) In accordance with the final decision, if permanent rates differ from the period from March 1, 2020 to July 31, 2020 any refund or additional charges are to be accounted for with interest, retroactive to March 1, 2020”.

**Request:**

21.1 Please explain how the interest rate discussed in items 5 and 6 will be determined/calculated and whether it will be the same for the refund or additional charges and if not, why not.

**22.0 Reference: Corix Final Submission, item 7b, pg. 4**

**Explanation:**

“Corix proposes that if the capital expenditures and/or Operating and Maintenance (“O&M”) expenses in each given test year are 10% above the approved amounts, the Comptroller automatically initiates a brief special review process to ensure that that costs incurred are prudent and reasonable. If there are minor variances below the 10% threshold, the Comptroller would conduct its compliance review in the normal manner.”

**Request:**

22.1 Please explain why a budget variance of +10% in capital expenditures and/or O&M expenses is reasonable, before requiring Comptroller intervention.

**23.0 Reference: Corix Final Submission, item 42, pg. 12**

**Explanation:**

“Corix is proposing the use of a Revenue Deficiency Deferral Account to phase-in and smooth the GSDP related rate increase over several years. This leads to a revenue requirement shortfall in the initial years of operation, followed by surplus revenue in later years to reduce the balance of the RDDA. This complies with Order No. 2548, in which the Comptroller directed Corix to: “recommend phase-in options to smooth the GSDP related rate increases over several years.”” Per the updated Scenario E in the Corix response to the Comptroller IR No. 1, pg. 33, Corix is requesting to recover the RDDA in less than 5 years. Furthermore, the approach used does not smooth out the rates over the first 4 years. From the Accounting Standards Board, Accounting Standards Advisory Forum (ASAF Agenda Ref: 3A, September, 2016 “Results of research on the decision-usefulness of financial information that reflects economics of rate-regulated activities”, page 36, a recovery period of 121+ months of debit balances for programs for construction of infrastructure assets appears to be standard.

**Request:**

23.1 Please explain why Corix is proposing a recovery period of half the time that other regulated utilities in Canada use for infrastructure projects consistent with regulated utility accounting standards and acceptable accounting practices.

**24.0 Reference: Corix Final Submission, items 48 & 49, pg. 13**

**Explanation:**

“A number of questions concerned updating the deemed interest rate.<sup>37, 38</sup> In response, Corix calculated the average deemed interest up to September 2020 which was 3.35%. Since the pandemic the Corporate Bond yield spread has been volatile and has settled back down to the levels in October 2019. The 10 year Government of Canada bond yield has fallen dramatically from 1.31% in January 2020 to 0.57% in September 2020. This means that when interest rates are true up for 2020, customers should receive an interest rate below the 3.64% in the Amended Application.”

“Corix proposes for the RDDA to true-up its actual deemed interest costs. For clarity, Corix proposes to calculate the actual annual deemed interest rate by averaging the actual monthly deemed interest rates. The actual annual deemed interest rate will be calculated based on the actual rates for the 10 Year Benchmark Canada Yield and the actual 10 Year Corporate Credit Spreads for each month. The resulting actual average deemed interest rate for the year would then be used to true up the RDDA. Note however that the stock markets in the last few weeks have remain unsettled due to a resurgence of the pandemic which may once again impact corporate bond spreads.”

**Request:**

24.1 Please explain to what extent that the RDDA recovery period would be shortened by the above proposal if the calculated deemed interest rate remained at 3.35% for 2020 and through to the end of 2022 . What would the impact on rates be if the reduced deemed interest rate were applied to rates instead of the RDDA? The Bank of Canada is forecasting interest rates to remain stable at 0.25% through 2022 (<https://wowa.ca/bank-of-canada-interest-rate>).

**25.0 Reference: Corix Final Submission, item 62, pg. 16**

**Explanation:**

“The successful Well 20-03 is producing sediment upon start up and at higher flow rates. It is expected that this well will clean up over time and operating controls will prevent sedimentation of the water system.”

**Request:**

25.1 Please explain the contingency plan if Well 20-03 continues to produce sediment and what the estimated cost would be to rectify/mitigate a deterioration of this well.

**26.0 Reference: Corix Final Submission, items 93 & 94, pgs. 22,23**

**Explanation:**

“Corix provided Scenario E (updated) with the additional years 2025 to 2027 to show the indicative RDDA balances and the indicative rate changes for 2025 to 2027.<sup>88</sup> The table shown below has the RDDA balance peaking in 2022 and then declining to \$0 in 2026. From 2020 to 2022 the rates result in revenue that is less than the total revenue requirement. The table also shows large rate increases from 2020 to 2023 with a moderate rate change in 2024 at 8% and 0% in 2025. However, there are indicative rates decreases in 2026 at -7% and 2027 at -16%. The rate decreases reflect the fact that in 2025 and 2026 the rates are set to over-recover the Total Revenue Requirements to retire the balance of the RDDA (119.5% in 2025 and 113.5% in 2026). In 2027 the Target Revenue Requirements equals the Total Revenue Requirements at 100%.”

“Corix provided an analysis of the impact on rates and the advantages and disadvantages to ratepayers of smoothing rates.<sup>89</sup> The challenges in the rate setting process include: 1) finding the right balance of rate increases in the early years while keeping the unrecovered deferral account at a level where it won't spiral out of control due to compounding; 2) choosing the appropriate target year to draw down the RDDA to a zero balance; and 3) managing the ramp down in rates after the RDDA has been fully recovered.”

**Request:**

26.1 Please explain why the proposed increase of 255% in rates from 2020 to 2024 followed by estimated decreases by 22% in 2026/2027 represents the right balance of rates smoothing for the customer.

26.2 Please explain to what extent rates would “spiral out of control”, if a slower recovery period of the RDDA were applied, when Corporate and Regional Services represent 30% of O&M

expenses/13% of required revenue in 2022 and the GSDP project cost represents 57% of the required revenue in 2022, while ROE continues to increase through the years.

**27.0 Reference: Water Tariff No. 5 Definition of Bed Unit b). pg. 1**

**Explanation:**

““Bed Unit” is a unit of measurement used to determine the relative number of occupants and is based on the floor area typically required to provide overnight accommodation for one person. The following Bed Units are assigned:

- i. residential single family dwelling = 10 Bed Units (beginning January 2011) unless notification received by Utility stating indicting smaller residence qualifying for 6 Bed Units
- ii. residential condominium or townhouse:
  - (i) up to 55 square meters = 2 Bed Units
  - (ii) between 56 and 100 square meters = 3 Bed Units
  - (iii) in excess of 100 square meters = 4 Bed Units”

**Request:**

27.1 Given that a number of single family residences at Panorama have additional secondary suites, please explain whether additional bed units per the above criteria are assigned to those residences and if not, why not.

27.2 Given that a number of single family residences rent out their properties on sites such as Panorama Vacation Rentals, VRBO and AirBnB, please explain whether they should be considered commercial properties and be charged commercial rates and if not, why not.